

## **Clarification on Credit Card Processing Fees or Convenience Fees**

**To: P-Card Program Administrators, P-Card Approving Officials and P-Card Users**

**From: Paul Kurtz, State Cards Program Manager, DOAS, State Purchasing Division**

### **Background:**

Many vendors charge a “credit card processing fee” or “convenience fee” for accepting credit cards including the State Purchasing Card or P-Card. These types of fees are strictly regulated by Visa and MasterCard (also called the Associations). Many P-Card cardholders and administrators have asked if these fees are allowed on the P-Card. This communication serves to address those fees.

### **Details:**

After review, DOAS has determined that “convenience fees” for certain transactions can be paid if they are charged in compliance with Visa rules. (The State of Georgia P-Card is a Bank of America Visa card, so Visa regulations apply.) Other fees, such as “credit card fees”, “processing fees” or “surcharges” for example, *are not allowed by Visa regulations* and are therefore not permitted on the P-Card.

According to Visa’s Card Acceptance and Chargeback Management Guidelines for Merchants (Merchants is synonymous with Vendors) available on Visa’s website, credit card surcharges are not allowed. Merchants “may not impose any surcharge on a Visa transaction.” Convenience fees, however, are allowed under certain circumstances.

According to the website:

For merchants who offer an alternate payment channel (i.e., mail, telephone, or e-commerce) for customers to pay for goods or services, a convenience fee may be added to the transaction amount. If the merchant chooses to assess a convenience fee to its customers, the merchant must adhere to the following rules:

- The fee is being charged for a bona fide convenience of using an alternative payment channel outside the merchant’s normal business practice.
- The fee:
  - must be disclosed to the customer as a charge for the alternative payment channel convenience
  - is applied only to non face-to-face transactions
  - must be a flat or fixed amount, regardless of the amount of the payment due

- is applied to all forms of payment products accepted in the alternative payment channel
- is included as part of the total transaction amount
- cannot be added to a recurring transaction
- is assessed by the merchant that provides the goods or services to the cardholder and not a third party
- The customer must be given the opportunity to cancel prior to the completion of the transaction

Visa is very clear about what a convenience fee is and how and when they can be charged. As a result, many vendors that charge fees do so incorrectly and are therefore out of compliance with Visa regulations.

Examples of common violations of Visa's convenience fee policy include, but are not limited to, the following:

- Charging a tiered or percentage based fee. Only a flat fee regardless of the transaction amount is allowed.
- Charging a fee for transaction below or above a certain dollar amount. Convenience fees must be charged on all transaction regardless of amount.
- Charging the fee in person, for face-to-face or point of sale transactions. The fees can only be applied to transactions via the mail, telephone or internet.
- Charging only for Visa or credit card transactions. Convenience fees must be applied to all payment methods accepted via that channel.
- Calling the fee a “processing fee”, “credit card fee”, “surcharge” or anything other than a “convenience fee”. The fee is designed to offset the cost of the convenience, not the cost of accepting credit cards.
- Charging higher prices for credit card purchases versus checks or cash. **Note:** Vendors may offer a “cash discount” to customers paying cash, in person.
- Charging a convenience fee via the internet when that is the vendor's only “normal business practice”. If the vendor only sells on the internet, there is no convenience versus coming in to a retail location, so no convenience fee can be charged.

As you can see, there are many ways a vendor's actions can fall outside Visa's guidelines. As such, DOAS has determined that only vendors in compliance with the guidelines shall be allowed to receive convenience fees via the P-Card.

One example of an allowable convenience fee is a utility that charges a convenience fee for paying a bill via the phone or internet versus having to come to an office and drop off a payment. As long as the convenience fee is a flat fee and is charged to all transactions accepted via the phone or internet (such as all card types, electronic checks, etc.), it is acceptable on a P-Card transactions.

*(continued)*

**Summary:**

Convenience fees charged in accordance with the Visa guidelines quoted above are permitted on the P-Card. All other charges, surcharges or fees are prohibited and should not be paid with a P-Card. For clarifications, please consult your entity's P-Card Administrator or contact the State Cards Program Manager at the phone number or e-mail address below. Violations of the Visa guidelines should be reported to the State Cards Program Manager as merchants can be reported to Visa through Bank of America.

**For More Information:****Visa:**

To access Visa's Card Acceptance and Chargeback Management Guidelines for Merchants go to [http://usa.visa.com/download/merchants/card\\_acceptance\\_guide.pdf](http://usa.visa.com/download/merchants/card_acceptance_guide.pdf)  
*(Note: this is a protected pdf file that can not be edited, copied or printed.)*

**State P-Card Policy:**

[http://doas.ga.gov/StateLocal/SPD/Docs\\_SPD\\_Cards/PCard\\_Policy.pdf](http://doas.ga.gov/StateLocal/SPD/Docs_SPD_Cards/PCard_Policy.pdf)

**Contact the State Cards Program Manager:**

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